

## Message Text

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ACTION STR-07

INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00  
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02  
OMB-01 DOE-15 JUSE-00 AF-10 ARA-10 EA-10 EUR-12  
NEA-11 OIC-02 /169 W  
-----013932 301738Z /43

P 301602Z MAY 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC PRIORITY 0214

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USMTN

ACTION STR PASS ELECTRICALLY  
STR PASS CODEL

E.O. 11652 N/A  
TAGS: MTN, ETRD  
SUBJECT: TARIFF BILATERAL WITH CANADA RE CHEMICALS, LEATHER  
- AND RUBBER

1. USMTN DEL (HAMERSCHLAG ET AL) MET WITH CANADIAN DEL  
(DENIS ET AL) ON MAY 24-25 TO DISCUSS IMPROVEMENTS ON  
EACH OTHERS' CHEMICAL, RUBBER AND LEATHER PRODUCTS OFFERS.  
EMPHASIS FOCUSED ON CHEMICAL SECTOR WHERE U.S. DEL STRONGLY  
CONDEMNED PAUCITY OF CANADIAN OFFER. U.S. DEL ALSO RAISED  
ISSUE OF CANADIAN REQUIREMENT THAT IMPORTS OF AGRICULTURAL  
TRACTOR TIRES BE CERTIFIED AS USED ON THE FARM TO QUALIFY  
FOR DUTY FREE TREATMENT.

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2. U.S. DEL REITERATED PREVIOUS CRITICISM OF CANADIAN  
TARIFF OFFER ON CHEMICALS (GENEVA 5928) AND STRESSED THAT  
A SUBSTANTIAL IMPROVEMENT IN THE CANADIAN OFFER WAS ESSEN-  
TIAL IF CANADA WAS INTERESTED IN THE MAINTENANCE OF THE  
U.S. OFFER WHICH MET VIRTUALLY ALL OF CANADA'S REQUESTS  
IN THIS SECTOR. U.S. CHARACTERIZED CURRENT CANADIAN CHEMI-  
CAL OFFER AS OF LITTLE VALUE AND SUGGESTED IMPROVEMENT

IN NEARLY ALL MAJOR ITEMS, PARTICULARLY IN THE PLASTICS GROUP. ON APPLIED RATES, U.S. ASKED FOR BINDINGS OF APPLIED FREE RATES OR WHERE DUTIES WERE STILL APPLIED, REDUCTIONS WHICH WOULD BE AT LEAST EQUIVALENT TO A FORMULA CUT FROM THE APPLIED RATE.

3. AFTER GENERAL PRESENTATION, U.S. DEL PROCEEDED WITH DETAILED REQUESTS FOR IMPROVEMENTS IN A CANADIAN CHEMICAL OFFER. DISCUSSION BEGAN WITH FIRST ITEM IN CANADIAN CHEMICAL OFFER -- FATTY ACID (CANADIAN TARIFF NUMBER 91510) WHERE A FORMULA CUT WAS REQUESTED AND CONTINUED THROUGH ENTIRE CHEMICAL SECTOR.

4. ON ORGANIC CHEMICALS, REQUESTS FOR IMPROVEMENTS WERE MADE ON SUCH MAJOR TRADE ITEMS AS POLYACIDS AND DERIVATIVES (FORMULA CUT), DIMETHYL TEREPHTHALATE (FREE), VITAMINS AND HORMONES (6 PERCENT), ANTIBIOTICS (6 PERCENT OR FREE) AND PENICILLIN (FREE). FORMULA CUT REQUESTS GENERALLY MADE OF MAJOR DYE AND COLOR TARIFFS. THERE WAS DISCUSSION OF U.S. REQUEST THAT DUTY ON PUTTY AND OTHER SEALING COMPOUNDS (93212) BE REDUCED TO 3.5 PERCENT. U.S. DEL INDICATED U.S. OFFER ON COMPARABLE ITEM WOULD BRING U.S. DUTY TO 3.7 PERCENT.

5. THE BULK OF U.S. REQUESTS CENTERED ON PLASTICS ITEMS WHERE CANADIAN OFFER WAS ALMOST ENTIRELY FOR LESS THAN LIMITED OFFICIAL USE

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FORMULA REDUCTIONS. U.S. PLACED SPECIAL EMPHASIS ON REDUCTIONS IN THIS AREA. ON THE MAJOR BASKET ITEM (93907-1) 7 PERCENT WAS CITED AS MORE APPROPRIATE THAN THE 12.5 PERCENT OFFER. WHERE APPLIED RATE WAS FREE U.S. DEL RECOMMENDED BINDING. FOR OTHER MAJOR ITEMS A RATE OF 6 TO 8 PERCENT WAS GENERALLY RECOMMENDED.

6. U.S. REQUEST FOR IMPROVEMENT TO 6 PERCENT ON METHYL ALCOHOL (92904 05) PROMPTED CANADIAN QUESTION CONCERNING OFFER ON COMPARABLE U.S. PRODUCT - TSUS 427.97, WHERE U.S. OFFERED FORMULA CUT TO 14.9 PERCENT. CANADIANS NOTED 1976 AVE OF 37.3 PERCENT UNUSUALLY HIGH IN HISTORICAL TERMS AND INQUIRED AS TO WHETHER THE OFFER WAS FOR 60 PERCENT OR ONLY FORMULA. CANADIANS REQUESTED THAT THE FULL 60 PERCENT REDUCTION BE APPLIED WHATEVER THE AVE.

7. AT CONTINUED SESSION ON MAY 26, CANADIANS REQUESTED FULL AUTHORITY CUTS, INCLUDING TO ZERO, ON CHEMICAL ITEMS WHERE U.S. OFFERED FORMULA CUT: 422.94, 425.99, 426.00, 426.18, 427.88, 427.97, 428.30, 428.84, 428.86, 445.05, 445.30, 445.4520, 466.25, 472.10, 473.12, 473.18, 473.19, 473.20, 473.30, 473.70. U.S. RESPONDED THAT

SEVERAL OF ABOVE WERE ITEMS OF CONCERN TO U.S. CHEMICAL  
INDUSTRY AND PERHAPS THE CANADIANS WOULD DO WELL TO MATCH  
U.S. OFFER AS INCENTIVE FOR MAINTENANCE OF EXISTING U.S.  
OFFER. EXISTING U.S.

8. BEFORE TURNING TO LEATHER AND RUBBER PRODUCTS, U.S. DEL  
INDICATED REQUESTS ON MISCELLANEOUS ITEMS NOT PREVIOUSLY  
COVERED: CARPETS, CERTAIN HATS, GOLD JEWELRY AND PHONO-  
GRAPH RECORDS. U.S. REQUESTED THAT CERTAIN LEATHERS  
(BELTING, PATENT, SOLE, COWHIDE, ETC.) BE REDUCED FROM  
FORMULA TO GREATER THAN FORMULA CUTS AND ALSO THAT VARIOUS  
LEATHER PRODUCTS, PARTICULARLY THE BASKET ITEM 61300, BE  
REDUCED SUBSTANTIALY. THE CANADIANS HAD NO REQUESTS OF  
THE U.S. ON LEATHER PRODUCTS.  
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9. THE DISCUSSION ON RUBBER PRODUCTS FOCUSED AGAIN ON THE  
QUESTION OF TRACTOR TIRES FOR FARM PURPOSES ONLY. U.S. DEL

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ACTION STR-07

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05  
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 STRE-00 JUSE-00 AF-10 ARA-10 EA-10 EUR-12  
NEA-11 OIC-02 /169 W

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P 301730Z MAY 78  
FM USMISSION GENEVA  
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STRONGLY OBJECTED TO THE PRESENT SYSTEM OF REQUIRING

PRIOR CERTIFICATION OF FARM USE AND CALLED IT A SERIOUS OBSTACLE TO U.S. EXPORTS. CANADIANS SUGGESTED THAT PERHAPS THE PROCEDURE COULD BE IMPROVED ADMINISTRATIVELY BUT THAT THEY LINKED THIS QUESTION WITH U.S. CUSTOMS PRACTICE OF CLASSIFYING PRODUCTS AS AGRICULTURAL ONLY IF THEIR CHIEF USE IS ON THE FARM. U.S. SUGGESTION THAT CANADIAN DUTY ON TIRES AND TUBES, NES (61815) BE CUT TO 5 PERCENT OBVIOUSLY SURPRISED THE CANADIAN DEL WHO QUESTIONED THE VALUE OF A TARIFF REDUCTION IN LIGHT OF U.S. COMPANY PRODUCTION INTERESTS IN CANADA.

10. MEETING CLOSED WITH CANADIAN REQUESTS FOR U.S. FULL AUTHORITY CUTS, INCLUDING TO ZERO, ON THE FOLLOWING ITEMS: TSUS 771.30, 771.4212, 772.65 AND 772.85. CANADIANS QUESTIONED U.S. OFFER ON 771.4212 WHERE CURRENT DUTY OF 6 PERCENT WOULD BE REDUCED TO 4 PERCENT, SINCE THIS WAS AN UNUSUAL PERCENTAGE CUT. U.S. DEL PROMISED TO INQUIRE.

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11. DRAFTED BY WHITE. MCDONALD

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
**Draft Date:** 30 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Executive Order:** N/A  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
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20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014